

Message Text

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PAGE 01 SAN JO 00912 051531Z

64

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 /077 W

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R 051358Z MAR 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 9528

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E.O. 11652: NA

TAGS: EIND CS

SUBJECT: ALCOA FEARS THAT ALUMINUM PROJECT IS STALLED

1. EMBOFFS SPOKE BRIEFLY MARCH 3RD TO BILLY MCNISH, LOCAL REPRESENTATIVE OF ALCOA, ABOUT THE STATUS OF THE COMPANY'S PROPOSED ALUMINUM PROJECT.

2. MCNISH SAID THAT THE PROJECT APPEARS TO BE STALLED. THE GOVERNMENT HAS THE ALCOA SUBMISSION UNDER STUDY, AND HAS ALSO RECEIVED THE REPORT OF THE CONSULTING FIRM, NORCONSULT, BUT DOES NOT APPEAR TO BE TAKING ANY ACTION. MCNISH BELIEVES THAT INCREASED TALK OF GOVERNMENT PARTICIPATION IN NATURAL RESOURCES DEVELOPMENT PROJECTS MAY INDICATE THAT THE GOVERNMENT WILL WISH TO TAKE A DIRECT PARTICIPATION. ALCOA WOULD NOT OBJECT TO A MINORITY PARTICIPATION BY THE GOVERNMENT PROVIDED THE GOVERNMENT PAID ITS PROPORTIONATE SHARE OF THE INVESTMENT. THE FAIR VALUE OF ANY GOVERNMENT CONTRIBUTION, SUCH AS LAND, COULD, OF COURSE, BE COUNTED TOWARDS ANY SUCH INVESTMENT. HOWEVER, MCNISH WONDERS WHERE THE GOVERNMENT WOULD GET THE MONEY, AND HE FEARS THAT THEY MAY HAVE IN MIND ASKING FOR A SHARE IN THE EQUITY WITHOUT MAKING A CORRESPONDING CONTRIBUTION.

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3. COMMENT: THE EMBASSY CONTINUES TO BELIEVE THAT THE ALUMINUM

PROJECT WOULD BE A VERY DESIRABLE ONE FROM THE POINT OF VIEW OF U.S. INTERESTS (AS WELL AS COSTA RICAN INTERESTS) AND HOPES THAT SOME FORMULA WILL BE FOUND UNDER WHICH THE PROJECT CAN MOVE FORWARD. THE BORUCA ALUMINUM PROJECT WOULD BE SIGNIFICANT FOR THE U.S., NOT ONLY IN TERMS OF THE INTERESTS OF THE POTENTIAL U.S. INVESTOR - (ALCOA), BUT ALSO BECAUSE IT WOULD SAVE A LARGE VOLUME OF U.S. NATURAL GAS WHICH WOULD OTHERWISE HAVE TO BE USED TO CONVERT AN EQUIVALENT VOLUME OF IMPORTED BAUXITE TO ALUMINUM. FINDING ECONOMICAL WAYS TO IMPORT ALUMINUM, INSTEAD OF BAUXITE, IS THUS EQUIVALENT TO AN EXPANSION OF THE U.S. ENERGY SUPPLY. AN ALUMINUM SMELTER IN A NEW COUNTRY WOULD ALSO HELP DIVERSIFY OUR SOURCES OF SUPPLY. IN ADDITION, THE HYDROELECTRIC POWER DEVELOPED IN CONJUNCTION WITH THE BORUCA ALUMINUM PROJECT WOULD BE MORE THAN THAT NEEDED FOR THE PROJECT AND, TOGETHER WITH POWER TO BE PRODUCED BY THE ARENAL DAM, WOULD SHARPLY REDUCE COSTA RICA'S NEED TO IMPORT OIL, THEREBY CONTRIBUTING IN A SMALL WAY TO A SOLUTION TO THE WORLD ENERGY PROBLEM.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ALUMINUM, DIPLOMATIC DISCUSSIONS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 05 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SANJO00912
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750077-0637
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750380/aaaacubp.tel
Line Count: 79
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 08 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 SEP 2003 by ElyME>; APPROVED <09 SEP 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ALCOA FEARS THAT ALUMINUM PROJECT IS STALLED
TAGS: EINV, EMIN, CS, US, ALCOA, (MCNISH, BILLY)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006